- The most junior OC test (the Class C OC test) benefits the Class C from the diversion of cash flow in the interest waterfall; principal is diverted to Ambac's class to cure. However, principal in the next two years, absent the sale of collateral, is limited.
- Ambac's exposure will diminish when the next OC test , the Class B OC, is tripped (approximately 4 PIK bonds or 7 Single B rated bonds or a combination).
- While the interest coverage tests are currently passing with plenty of margin, the effect of a single PIKing bond will reduce that margin but as is typical in most CDOs, the levels are less sensitive than the OC tests. In other words, it would take more PIK events to trip the interest coverage test than to trip the overcollateralization test. For example, to trip the lowest IC test would take approximately five securities to PIK versus two securities for the OC test.

Credit Events (for underlying single A CDOs)
Failure to Pay Principal: Failure by the CDS Reference Obligor to pay 100% of the expected principal at the legal final maturity date (3 days grace period).
Writedown: Reduction in the principal amount due related to a realized loss. For CDOs, the concept of implied write down applies. This will happen when the assets are no longer enough to cover the liabilities and when excess spread will not be able to cover the difference.
Distressed Ratings Downgrade: Ratings of Caa2, CCC, or CCC or below (downgrade to this level by any ONE of the agencies will constitute a credit event).
Failure to Pay Interest: Shortfall in interest.

Events of Default/ Removal Rights / Liquidation

What are the Events of Default?	a) Failure to pay any accrued interest on any Class A or Class S Note for 5 business days b) Failure to pay principal when due on the maturity date c) Failure to apply available amounts in accordance with the priority of distribution set in the Indenture if failure continues for 5 Business Days. d) Either of the Issuer or the Collateral becoming an investment company subject to registration under the 1940 Act. e) A default in any material respect, in the performance or breach of any covenant, representation or warranty and such default remains unremedied for 30; f) events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers. g) failure to maintain the Class A O/C Ratio (all AAAs and AAs) at an amount greater than or equal to 94.50% (effectively, 169%% to the Class A-1 Notes).
Who is the Controlling Class	The Class A-1 Notes
By Whom and When Can the Debt be Accelerated?	In order to accelerate, the Class A1 need to direct the Trustee to declare interest and principal immediately due and payable.
By Whom and When Can the Collateral be Liquidated?	In order to liquidate the pool, one of the following need occur: a) Ambac may direct the trustee to liquidate upon: a. Failure to pay interest on the Notes through the AA Notes, b. Any failure to pay principal, or c. The AAA OC test is equal to or less than 76.75% (equivalent to 125% to the Class A1). b) The Trustee determines there is enough collateral to pay off all available Notes, and certain Admin Expenses and the Class A1 agrees with such assessment.
What Are the Manager Removal Events?	a) Failure to observe or perform any covenant or agreement set forth in the Management Agreement or any term of the indenture which failure in each case materially and adversely affects the Issuer or any class of Notes (cure period 30 days) ; b) Purchase by the manager of an obligation which did not qualify as and Eligible Collateral Debt Security or did not comply with the Investment Criteria and not cured for 30 days: c) bankruptcy events occur with respect to the Collateral Manager; d) occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations or any executive officer of the Manager being indicted for a criminal felony offence materially related to the Collateral Manager's primary business; e) occurrence of an Event of Default (a), (b) or (d) (failure to pay interest or principal and 40 act violation); f) relates to a merger with someone other than Credit Suisse g) the occurrence of a Class A Overcollateralization Ratio to be less than

	99% (effectively 177% to the Class A1 Notes).

EXHIBIT 87

								Gain (Loss) on Settlement		
Deal Name	Deal ID (CORE)	9/30/08 Notional	9/30/08 Impairment	9/30/08 MTM Liability	9/30/08 MTM Liability (excl FAS 157 Adj)	10/31/08 MTM Liability	Settlement Amount	November MTD	4Q08 QTD	Statutory Surplus Impact at 12/31/2008
Duke Funding VI	CDS2006-02	1,288,697,969	(256,682,000)	(271,066,235)	(581,355,996)	(334,674,382)				
Duke Funding V	CDS2006-51	1,237,875,218	(190,622,000)	(437,865,259)	(985,318,906)	(533,871,372)				
Subtotal Duke IV and V		2,526,573,186	(447,304,000)	(708,931,495)	(1,566,674,902)	(868,545,755)	(390,000,000)	478,545,755	318,931,495	37,486,040
888 Tactical	CDS2007-10	496,687,365	(466,024,000)	(336,939,639)	(493,504,554)	(371,481,895)	(305,000,000)	66,481,895	31,939,639	157,440,975
Class V III	CDS2007-11	494,584,346	(465,952,000)	(335,513,007)	(491,415,011)	(369,909,007)	(305,000,000)	64,909,007	30,513,007	157,319,631
Total		3,517,844,898	(1,379,280,000)	(1,381,384,141)	(2,551,594,466)	(1,609,936,657)	(1,000,000,000)	609,936,657	381,384,141	352,246,646

MTM Liability Rollforward for Settlements:

	GAAP	Excl FAS 157	*Impact of FAS 157*
9/30/08 MTM Liability	(8,626,304,089)	(16,816,831,359)	*8,190,527,270*
Settlements Paid	1,000,000,000	1,000,000,000	
Gain (Loss) on Settlements	381,384,141	1,551,594,466	*(1,170,210,326)*
Pro-Forma MTM Liability (Post-Settlements)	(7,244,919,949)	(14,265,236,893)	*7,020,316,944*

EXHIBIT 88

MEMORANDUM **TO**

Robert Genader
William McKinnon
Robert Bose
Rick Persaud
David Wallis
John Bryan
Diane Dickensheid
John Uhlein
Robert Selvaggio
Susan Lobel
Brian Feit

CC: A. Knott
T. Gandolfo
S. Gordon

RE: **Securitization Senior Credit Committee Meeting**

Please note that on **Monday March 19, 2007 @ 4:00 pm** at the Securitization Senior Credit Committee Meeting we will be discussing the following deal in the Underwriting Conference Room on the 17th Floor.

Credit Presentation	Amount	Underwriter
Class V Funding IV –, Ltd. – AA CDO^2	$1,500,000,000	D. Salz, C. Lachnicht, P. Van Riper

Credit Risk Analyst
E. He

If you have any questions, please do not hesitate to call.

Ambac Assurance may be subject to an obligation of confidentiality in relation to the information contained within this underwriting report which could expose us to liability if the obligation is breached. This report and its contents should be kept confidential by you and should not be discussed with, or distributed to, any person (whether within Ambac or not) who is not an addressee of this underwriting report unless you have first confirmed with the relevant underwriter or a member of the legal department that no such obligation exists. Thank you for your co-operation.

Thank you.

AMBAC ASSURANCE CORPORATION
SPECIALIZED CREDIT COMMITTEE
CREDIT DECISION DOCUMENT

X Transaction contains an SPV *[Finance review required]*
Ĩ Transaction contains an SPV that is exempt from the provisions of FIN 46 *[Finance review not required]*
Ĩ Transaction does not contain an SPV *[Finance review not required]*
Ĩ Transaction contains an interest rate swap insured by Ambac *[Finance review not required]*

ISSUER: Class V Funding IV, Ltd.	**Date: March 17, 2007**
ISSUE: Class A1 Floating Rate Notes	
GSK/BOND KIND:	**Underwriters: D. Salz, C. Lachnicht, P. Van Riper**
	Analysts: E. He

Rating:	**S&P**	**Moody's**	**Ambac**
Senior Unsecured (super senior)	**AAA**	**Aaa**	**Aaa** (Super Senior)

PAR EXPOSURE (000's)	**DIRECT**	**NET**
Existing		
This Issue	1,500,000,000	1,500,000,000
Less Amounts Refunded		
Total Approved	1,500,000,000	1,500,000,000

Decision Date: March 19. 2007	**Decision: Approved**

REINSURANCE (000's)			
SURPLUS SHARE			
MINIMUM	**MAXIMUM**	**FACULTATIVE**	**TOTAL RECOMMENDED**

Requisite Approvals

Sponsoring Underwriters

1.____________________

2.____________________

3.____________________

Credit Risk Analysts: __________________

____

MD, Risk Analysis and Reporting: __________________

Business Manager: ____________________

Legal Underwriting Officer:________________________

Senior Credit Committee

1.____________________

2.____________________

3.____________________

4.____________________

5.____________________

6.____________________

7.____________________

Ambac Chief Executive Officer:______________________________

Ambac Credit Underwriting Application
Class V Funding III, Ltd.
Class A-1 Floating Rate Notes (AAA/Aaa)
Primary Secondary $1,500,000,000

Report Date:	March 16, 2007
Underwriter:	D. Salz, C. Lachnicht, P. Van Riper
Credit Risk Analysts	E. He
Issue Date:	March [ ], 2007
Closing Date:	March/April, 2007
Final Maturity:	[ ], 2052
Competition:	N/A
Investment Banker:	Citigroup
Counsel	Clifford Chance
Trustee:	[LaSalle Bank National Association]

Ratings:	Moody's	S&P	Ambac
At Issue	Aaa	AAA	Aaa (Super Senior)

Exposure:

	Direct		Net Financial	
	Par	P&I	Par	P&I
Existing				
Proposed New (up to):	$1,500,000,000		$1,500,000,000	
Total	$1,500,000,000		$1,500,000,000	

exposure to Collateral Manager:

Current	$2,162,000,000	Rating: 3.5
Proposed New	$1,500,000,000	
Total Current and Proposed	$3,662,,000,000	

Additional Required Information:

Ambac Entity:	ACP	X	AAC	
	ACPL		AUK	
Type of Execution:	Policy		CDS	X
	Primary	X	Secondary	
MTM Exposure:	Yes	X	No	
Financial Institution Exposure:	Yes		No	X
Fin 46 Consolidation:	Yes		No	X

Pricing Rationale:

Ambac Proposed Pricing	30 bps

Summary Recommendation

We recommend that Ambac Credit Products, LLC provide credit protection on the senior 75% of Class V Funding IV, Ltd. ("Class V - IV" or "Class V - AA"), a $2 billion lightly managed sequential pay CDO-squared composed of mostly synthetic exposure to cash double A rated cash mezzanine tranches of other CDOs ("Inner CDOs"). The Inner CDOs are broadly syndicated hybrid (i.e., synthetic and cash investments) CDOs of ABS composed of predominantly Baa2/Baa3 RMBS tranches. Given the recent volatility in the RMBS market, we expect this and recently reviewed Class V III and 888 Tactical transactions to be the first of several similar transactions and this is viewed as a very opportunistic situation for Ambac. This is the third of an initial set of transactions. As opposed to Class V III and 888 Tactical whose collateral is single A CDOs, this transaction represents the identical collateral pool as Class V III but each exposure is rated Aa2 (and not PIKable) instead of "A" and is equal in notional (2%)). While we currently do not have any further similar transactions in the pipeline, we have been approached by a large number of market participants (including additional transactions with Citi) for pools of "AA" ABS CDOs.

This transaction is a carbon copy of the Class V III transaction with a few exceptions:

- Aa2 CDO of ABS collateral, expected weighted average spread of 170 basis points compared to the single A pool of 227 basis points
- Different capital structure given the rating of collateral pool – Ambac proposed attachment at 25% with natural AAA at 9% versus 50% with natural AAA at 18%
- Lowest rated liability class is single A (there is no BBB class)
- Addition of a BBB haircut (any asset downgraded to BBB category is carried at 90% for OC purposes)
- No cash flow swap as AA securities are not PIKable
- Collateral to be ramped in the near future versus in January (significantly wider spreads available) and
- Junior notes have larger turbo features to make them more saleable in the current market (65% of cash flow that otherwise would go to equity will instead pass through to the "BBB" rated notes as principal).

Class V- AA will be ramped in the next few weeks as the collateral has been identified based upon the manager's selection for Class V-III. The entire RMBS and CDO of ABS sector has widened significantly since early January, which is when the first wave of widening occurred in the Single A CDO sector. Hedge funds have been active in buying protection (shorting) the subprime mortgage market as a means to express a view on real estate. Early on, this position was taken by buying protection in single named BBB RMBS. Later, when the ABX index was introduced, this became a better instrument to buy credit protection (more liquidity, broader coverage of securities). At the time, there was no natural buyer of the ABX and dealers began buying protection on single A CDOs to cover their long position to the ABX. As the ABX widened in January, it became more expensive (i.e., the amount required to be paid for protection was expensive as the ABX widened beyond 500 bps). As single A CDOs had not widened with the BBB RMBS, they became a less expensive way to buy protection under the assumption that these CDOs would be susceptible to any losses on BBB RMBS. It is not clear, in fact it is more probable, that the buyers of credit protection were not doing any credit work beyond knowing that the collateral pools were Baa RMBS. This is said as there was little differentiation in the market (i.e., single A CDOs widened out). As such, on a systematic basis, single A spreads widened from 175 at the end of November to approximately 210 bps (the WA spread on this pool is 210 bps) at the end of January to currently approximately 300 bps at the end of February and currently we understand it is possible to construct a pool with a spread of 600 basis points. As a result, double A spreads have widened from mid 50s last year to approximately 170 basis pointsas the next favourite asset to buy protection).

The class that we intend to protect is the most senior $1,500 million in the transaction and benefits from 25% subordination including two junior Aaa/AAA tranches totalling $320 million representing the bottom 17.6% of a natural AAA tranche. The modelled portfolio is 100% selected and has 50 obligors (identical to Class V-III). The transaction will price in the next 1-2 weeks and close in late March / April.. Ambac participated in the negotiation of the documents and the development of the structure for Class V-III which will be nearly identical for this transction. Ambac intends to write credit protection on the unfunded Class A-1 to either Citibank or

another funder (the "Funder") where we have existing documentation on standard Ambac pay as you documentation.

The transaction will be lightly managed by Credit Suisse Alternative Capitial ("CSAC"), an SEC registered investment advisor and one of the largest CLO manager's with over $15 billion under management, involving 26 transactions and 24 investment professionals. The structured products effort is an extension of their leveraged loan business and this represents their third CDO-squared. Ambac participated in the super senior tranche of their first CDO-squared (Class V) and their first high grade CDO of ABS (Ridgeway Court). We intend,. subject to committee approval, in Class V III and Adams Square II (a CDO of mezzanine ABS). Please see manager review in Appendix F.

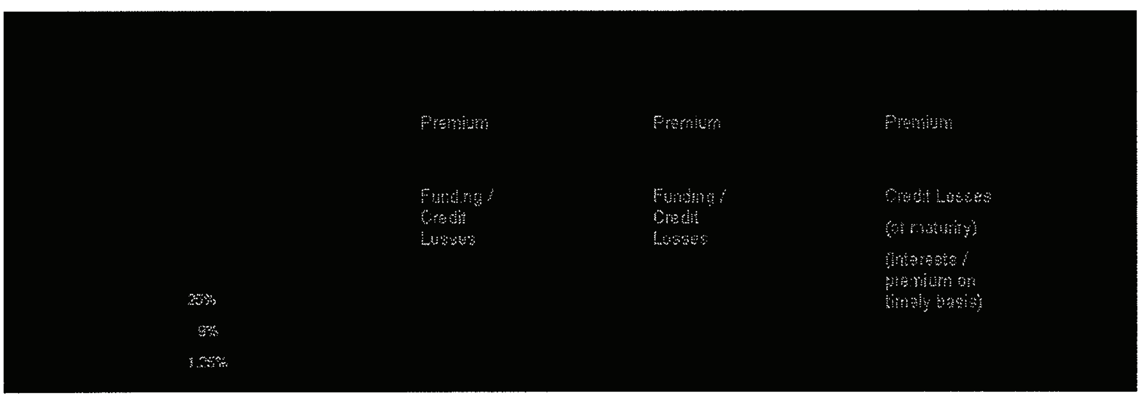
Transaction Capital Structure:

Tranche (Moody's/S&P)	Rating	Initial Principal Amount*	Percent of Capital Structure	Coupon***	WALife (years)	Expected Maturity*	Legal Final (years)
Class S	Aaa/AAA	$26,500,000	1.3%	3 mo L +35 bps			8
Class A-1 (unfunded)	Aaa/AAA	$1,500,000,000	73.8%	3 mo L +53 bps**	6.2	8 years	45
Class A-2	Aaa/AAA	$240,000,000	11.8%	3 mo L +60 bps	8	8 years	45
Class A-3	Aaa/AAA	$80,000,000	3.9%	3 mo L +90 bps	8	8 years	45
Class A-4	Aa2/AA	$96,000,000	4.7%	3 mo L +160 bps	5.9	8 years	45
Class B	A2/A	$64,000,000	3.1%	3 mo L +600 bps	5.9	8 years	45
Preference Shares		$25,000,000	1.2%	N/A	NA	8 years	45
TOTAL		$2,031,500,000	100.0%				

*8 year auction call
**Unfunded cost is [38] bps and funded cost is L + [53] bps.
***Estimate of pricing coupon

Structural Overview

The structure is what has become a typical hybrid structure with a senior unfunded class and junior funded credit linked notes. At closing, investors of the junior notes (including income notes or equity) will pay $500 million for their respective notes. A portion up to 20% will be invested in double A rated cash CDO of ABS which will pay LIBOR plus a specified margin. The remaining amount raised will be deposited with a total rate of return swap counterparty (Citibank, N.A. or CDS Collateral Securities Counterparty) under which Citibank will pay LIBOR on the monies and will retain the benefits and risks of the security.



CDO Assets (approximate proportion):
$[1,600] million notional in double A rated CDO of ABS securities through a PAUG (Pay as you go) CDS
$[400] million in double A rated cash CDO of ABS securities (maximum amount permitted in cash securities)
Total: $2,000 million credit exposure to double A rated CDO of ABS

Under the PAUG CDS, Class V- AA will receive an ongoing premium for providing credit protection on named reference obligation and will be obligated to pay missed interest and principal on and ongoing basis. The PAUG CDS also allows for physical delivery under specified credit events which may occur prior to a default (e.g., distressed rating downgrade or paying interest in kind for greater than 360 days).

CDO Liabilities:
$26.5 million in Class S Notes (representing fees and expenses – see sources and uses in Credit Risk Analytics)
$1,500 million initially unfunded Class A-1 Floating Rate Notes (VFN structure)
$475 million credit linked junior notes (fully funded at closing)
$25 million income notes (sold for $20 million and fully funded at closing)
Total: $2,031.5 million of which $531.5 million of cash is raised at closing.

In order to facilitate any liquidity requirements upon a credit event and then physical settlement of a Pay-As-You-Go (PAUG) CDS, Class V- AA will issue Class A-1 Notes once the sum of losses, cash CDO investments and cash CDO assets previously settled on a physical basis exceeds $500 million. In other words, as each remaining underlying asset in the Inner CDO experiences a Credit Event, provided losses exceed $500 million (we are in our layer), the Issuer will fund corresponding losses (or requirements to settle physically) by issuing a Class A-1 Note. The Class A-1 will be purchased by the Funder (really Citi, but intermediated by the Funder). To protect against losses on these Notes, the Funder will enter into a PAUG CDS with ACP, in which ACP guarantees the repayment of timely interest and ultimate repayment of principal at Final Maturity (45 years). By virtue of this mechanic, Ambac is not providing liquidity to Class V but rather is providing protection of payment of these funded amounts at maturity.

The Class A-1 has a 38 basis point commitment fee ("The Class A-1 Swap Option Fee") and in the remote case where it is drawn upon, the drawn amount is paid LIBOR plus 46 basis points. Ambac's premium would come out of the Class A-1 Option Fee (30 out of 38 basis points) and the drawn fee (30 out of 46 basis points). If the A-1 Note is drawn upon, its repayment is senior in the interest and principal waterfall to the junior notes.

Transaction Counterparties:

Role	Name	Function
Collateral Manager	Credit Suisse Alternative Capital, Inc.	Selection and on going review of invested credit exposures
Initial CDS Asset Counterparty	Citibank, N.A.	Buys CDS protection from the CDO on the entire pool of reference obligations (i.e., double A rated CDO of ABS). Pays a premium and receives any credit losses and the right to physical settlement upon specified credit events. May intermediate with other parties to provide exposure to the CDO.
Class A1 Swap Counterparty	Citigroup Global Markets Limited, with a performance guarantee from Citigroup, Inc.	Provides liquidity/credit protection when losses, cash CDO investments and cash CDOs generated through previously settled on a physical basis exceed $500 million.
Funder/Intermediary	The Funder	Will provide a back to back swap to the Class A1 Swap Counterparty to meet their obligations.
Super Senior Credit Protection	Ambac Credit Products, LLC	Will provide credit protection through a credit default swap against the ultimate repayment of the Funder's credit exposure in this transaction at maturity and the timely payment of interest.
CDS Collateral Securities Counterparty	Citibank, N.A.	Functions as a TRS counterparty/GIC provider, paying LIBOR and taking credit risk on deposited assets.
Covered Short CDS Asset Counterparty	Citibank, N.A.	Instead of terminating a CDS contract, the Collateral Manager can buy credit protection on an existing exposure (up to the existing notional amount) which

		effectively cancels the exposure. The Collateral Manager can not buy protection (go short) other than on existing credit exposures.
Cashflow Swap Counterparty	IXIS Financial Products Inc.	Receives a fee based upon the AAA and AA notes outstanding and pays any shortfall of interest on these notes due to either securities or reference obligations paying in kind (limited to the first two years of each underlying security or reference obligation paying in kind). This sometimes called a PIK swap.
Trustee	LaSalle Bank National Association	Typical transaction responsibilities

Credit Events Under the PAUG CDS

- Failure to Pay Principal
- Failure to Pay Interest as expected (i.e, if a security PIKs - pays pay in kind interest - under the CDS, the monies are due to the counterparty; this is similar to a cash transaction where the expected interest would not be part of interest collections).
- Writedown
- Distressed Ratings Downgrade (CCC+ or lower)

Under the PAUG CDS contract, upon certain credit events which may occur after a securities impairment but before an actual default, the counterparty may deliver the obligation to the CDO. As these amounts are delivered and losses incurred, the amount under the TRS will be diminished. If losses, cash CDO investments purchased and cash CDO investments generated through physical settlement under a CDS exceed $500 million, the next loss or credit event will draw upon the Class A1. Through a separate CDS between the Funder and Citibank, N.A., as Class A1 Swap Counterparty, the Funder will be obligated to meet Citibank's obligations (i.e., back to back). Through a separate CDS between Ambac Credit Products, LLC ("ACP") and the Funder, in return for premiums paid, ACP will cover the credit risk associated with the advanced funds at the maturity date (in other words ultimate payment of principal and current payment of interest). In the waterfall structure, the repayment of any advanced funds is senior in the interest and principal waterfall.

The transaction strengths are as follows:

- Good subordination and pricing: Ambac is attaching at 25% subordination which is a super senior attachment and represents the top 61% of the AAA class. The 25% subordination represents approximately 2.7x the required AAA subordination of 9%. The premium negotiated of 30 basis points is higher than the one negotiated for the recent CDO^2 involving single A CDOs.
- Good quality, granular portfolio: The portfolio WARF has a maximum of 125 (A2) and the pool is composed of double A exposure to 50 CDO of ABS (2% individual concentration).
- Transaction structure: While the largest components of credit strength is pool selection, concentration limits and subordination, the deal structure does provide additional protection for the super senior class through OC and IC tests and more importantly the transaction will pay principal sequentially. In addition, the transaction permitted limited reinvestment during the first three years governed by a 10% limit on reinvestment which encompasses all unscheduled repayments and all sales. From a structural viewpoint, we have maintained or improved on the transactions features found in high grade transactions:
    - We have negotiated standard haircuts and OC tests including haircuts assets rated BBB by 10%, BB by 10%, assets rated single B by 30% and assets rated CCC assets by 50%. Also, OC tests are as one would expect, similar to high grade transactions (i.e., relative small threshold for deterioration). Please see Appendix H.

- Controlling Class (defined as the Class A-1) can direct the removal and replacement of the manager upon a breach of the Class A OC test of 100.5% (includes AAA and AA classes) which is equivalent to128% to the A1 class.
- Controlling Class can direct the liquidation of the collateral upon (i) any failure to pay AA or higher interest and such event of default is not cured,, (ii) any failure to pay principal, (iii) with overcollateralization haircuts, the overcollateralization percentage to the most junior AAA (Class A-3) class is less than 89.75 (which is equivalent initially to 114.6% to the Class A-1).
- Sequential pay from the beginning.

- Strong analytical result: The transaction was reviewed using two approaches. Utilizing the Intex waterfalls where available for nearly 70% of the pool, we stressed the mortgage cashflows underlying each CDO investment in the collateral pool to see the breakeven point on the Class A-1. The resulting stress was higher than we would typically apply to a subprime issuer in the base case assuming 100% correlation. In fact, in our drill down analysis, we found that the CDO could withstand the application of 18-20% cumulative losses on the underlying mortgages which is higher than the 15-17% on the single A CDO squareds. This is a function of the RMBS attachment, the Inner CDO subordination and finally the CDO's subordination. In addition, we reviewed the pool of securities utilizing similar methodologies and stress cases for other ABS CDOs with the lowest result being Aa2.

The transaction weaknesses are the following:

- Subprime RMBS Exposure. The collateral pool for this transaction consists of double A rated CDO of ABS backed by mostly Baa2/Baa3 rated subprime mortage pools. Given recent reports of servicer/originator bankruptcies and higher delinquencies, the single A and double A ratings on the CDOs may be affected by rating downgrades and defaults in the CDO investments. The offset to this risk the ability to absorb losses at the CDO investment level prior to the single A tranche suffering a loss (where the double A attachment varies from 9.7% to 21.3% vs. for single A, 5.8% to 15% subordination). The second offset is the attachment of the Class A1 of 25% subordination.
- MtM. We are issuing up to $1,500 million in CDS form that will be subject to mark to market accounting. Mitigating MtM volatility are the high overall attachment point and the size of the mezzanine AAA tranche. In regards to the underlying portfolio, overall double A CDO spreads have widened out from the 50's at the end of the year to a few weeks ago, 125, to currently 170 basis points. To our knowledge, the pool has not been purchased yet and could suffer from tightening or benefit from continued widening.
- Synthetic Exposure. Nearly all of the exposures to CDO of ABS are through a PAUG CDO CDS. Under the CDS, the buyer of protection has the right to put the asset to the CDO vehicle if certain credit events occur. These events are evidence of impairment but may occur prior to an actual default. The CDO does have resources to cover the liquidity necessary to meet its physical settlement obligation prior to drawing on the Class A1 Note (as noted, the interest expense goes from 38 basis points to LIBOR plus 56 basis points). Initially, we assume at the outset that the transaction will have $369 million in readily available funds and $131 million in saleable cash CDO of ABS to cover losses and delivered assets. An additional offset is that if the delivered security is still paying interest, the CDO will be earning LIBOR plus the securities' margin.
- Counterparty Risk. Please see discussion of counterparties in above section. Citibank , N.A. will be the counterparty on all synthetic exposures . CSAC will be able to arrange taking exposure to reference obligations with third parties but Citibank will intermediate on each trade. As counterparty, Citibank will be required to collateralize their exposure upon the loss of a Moody's long term of A1 or short term P-1, or S&P long term AA- or short term A-1+. If they fail to collateralize within 30 days, the CDO can terminate flat (not market value) and such there are not mark to market losses to the vehicle and the exposures terminate (effectively zero loss liquidation). Replacement is at the loss of a Moody's long term

A3 and short term P-2 or either loss of S&P long term BBB- or short term A-2 (unless with regards to S&P, Citibank provides a legal opinion stated that collateral and termination of the CDS is not subject to automatic stay or other interference upon the receivership of the Citibank). Also, Citigroup Global Markets Limited ("CGML") with a guarantee from Citigroup, Inc. will be the Class A1 Swap Counterparty. It is expected that the Funder will sign a back to back swap with CGML. The requirement to fund the unfunded portion of the Class A-1 Swap upon a ratings event is set at loss of a Moody's A1 or P-1 or S&P A-1+.

- Vintage risk. The portfolio of CDO of ABS is nearly all 2006 vintage. We do know that some CDOs did diversify between 2005 and 2006 originations. The manager, CSAC, did review the assets in each of their investments (as if they were investing in the RMBS in that CDO).
- Turbo Single A and Double A. The Single A and Double A notes have a turbo feature which entitles the them on a pari passu basis to 65% of the remaining cashflow that would otherwise have gone to the income notes. The effect of amortizing these notes class is that mathematically, the OC tests will increase making it a less responsive trigger upon collateral deterioration. In addition, upon a breach of the single A OC test, the single A noteholders are paid principal through the interest waterfall until the single A's are paid off and then the Class A1 is paid; however, the single A OC test is cured in the principal waterfall through the payment of the Class A1. Potentially, the double A OC test could fail prior to the single A OC test. These features have been modelled and given the level of attachment at 25%, the double A OC test would break at approximately a 2% loss (including rating migration haircuts). See Exihibit H.
- Correlation Risk. Overlap and portfolio correlation are critical factors in a CDO-squared. Even knowing the overlap among the transactions, it would be difficult to determine its meaning given the varying levels of subordination in each underlying CDO of ABS. In the rating analysis, we have approached this issue in the analytics section by using a rather stressful correlation assumption (32.6% inter /32.6% intra) across all assets and then stressing it to two times that level (versus using 30/30 in other transactions). This is based upon evaluating the model portfolio in Moody's CDOROM tool. See the credit analytics section. This collateral pool is the same as Class V-III with the exception of a higher attachment (double A vs. single A) for each CDO.

TRANSACTION STRUCTURAL OVERVIEW

	Description
What are the Events of Default?	a) Failure to pay any accrued interest on any Class A or Class S Note for 5 business days b) Failure to pay principal when due on the maturity date c) Failure to apply available amounts in accordance with the priority of distribution set in the Indenture if failure continues for 5 Business Days. d) Either of the Issuer or the Collateral becoming an investment company subject to registration under the 1940 Act. e) A default in any material respect, in the performance or breach of any covenant, representation or warranty and such default remains unremedied for 30; f) events of bankruptcy, insolvency, receivership or reorganization of either of the Co-Issuers. g) failure to maintain the Class A O/C Ratio (all AAAs and AAs) at an amount greater than or equal to 98% (effectively, 125% to the Class A-1 Notes).
Who is the Controlling Class	The Class A-1 Notes
By Whom and When Can the Debt be Accelerated?	In order to accelerate, the Class A1 need to direct the Trustee to declare interest and principal immediately due and payable.